

USER'S GUIDE

INTRODUCTION

Nearly every policy and action of the City of Wichita is related in some way to resource allocation. This process is focused in the development of a financial plan and the adoption of the annual operating budget, which becomes the plan for the next year. The purpose of this User's Guide is to assist in understanding the budget development process and the 1993/94 adopted budget document.

THE BUDGET PROCESS

o The Budget Calendar

Revenue Projections

The first step in the budget process involves revenue projections by Department of Finance staff. Projecting revenues is an ongoing task, beginning several years in advance of the fiscal year. Trends in the performance of each revenue source are studied, and economic conditions and events which could alter the revenue projections are considered.

Department Budget Development

Early in a current calendar year, the City Council makes policy decisions for the departments to implement in the coming year. These decisions, as well as spending targets, are communicated to department heads and budget coordinators. Department staff then review the current-year budget and develop a budget for the next two years.

Budget Review

Department budget submissions are first reviewed by the Budget Office (Financial Planning and Research) staff for compliance with policy objectives, revenue limitations, and performance standards. A second review is made by a budget review cabinet (BRC). The cabinet is comprised of select department and division heads who review budget requests, and make recommendations to the City Manager.

City Manager Review

Through all stages, the City Manager directs the development of the budget. After the BRC recommendations are provided to the City Manager, the City Manager conducts a final review of each budget and makes his final changes.

The budget document includes a summary transmittal letter which outlines major decision areas for the City Council. The City Manager's recommended (proposed) budget is then presented to the City Council for consideration.

City Council Review and Public Hearings

The City Council reviews the budget in an open workshop presentation prior to public hearings. Public comment is received at the weekly City Council meetings over a five- or six-week period. In addition, Council members and City staff make budget presentations to neighborhood Citizen Participation Organization meetings and civic groups, and through the media.

The final public hearing and formal adoption of the budget occurs in mid-August, after a ten-day notice of hearing has been published in the official newspaper. Beyond this point, the budget expenditure limit for each fund may not be increased, although other changes may be enacted.

Budget Revision

A process to revise the adopted budget is started early in the operating year. Revisions are based on better information for revenue and expenditure estimates. In addition, the revisions ensure that planned programs and service levels conform to any new City Council policies.

Budget Amendments

Under Kansas State law, the City Council may amend a budget during an operating year, if unforeseen circumstances create a need to increase an adopted expenditure limit. Again, ten-day official notice is given and a public hearing is held before the City Council.

1993 Annual Budget Process

The budget development process that took place in 1992 focused on the 1993 calendar year. In addition, line item proposals were made for the 1994 calendar year. On August 14, 1992, a hearing was held on the 1993 proposed budget to formally adopt the budget for certification to the State of Kansas. In addition, the City Council approved the 1994 proposal, which will be reviewed again in 1993 before formal adoption and certification.

Budget Calendar

For each calendar year, the budget development process follows the sequence outlined here:

DATE	ACTION	PARTICIPANTS
Prior months/ year	Financial assumptions made; revenue assumptions developed	Financial analysts, City Manager
February	Financial Plan is presented and accepted	City Manager, City Council
March-June	Budgets developed and reviewed	City Manager, depart- ment staff, analysts
Early July	Recommended budget presented to City Council	City Manager, City Council
July-August	Public hearings	Citizens, City Council
Mid-August	Final hearing/formal adoption of budget	Citizens, City Council
Late August	Certification of budget to State	City Council

The Annual Operating Budget and the Capital Improvement Program

The annual operating budget and the Capital Improvement Program (CIP) are complementary City plans. The annual budget is a guide for the day-to-day operations of the City's programs. The CIP is a guide to new construction or improvements to the City's infrastructure and facilities, ranging from road expansion to repairs on publicly owned buildings and acquisition of new water sources.

The CIP requires a good operating budget, and a solid financial base in the operating budget to allow provisions for debt or cash financing of capital projects. In addition, an excellent operating budget can assist in raising or maintaining the bond rating of the City. A higher rating means that the City pays a lower interest rate for the bonds it sells to finance capital projects.

In return, the annual budget process must take into account requirements of funding infrastructure, maintenance, and related operational costs. Since the CIP is primarily funded from property taxes, mill levy changes in the annual budget can mean changes in the resources available for capital projects.

Revenue Projections

Development of the Capital Improvement Program has two preliminary phases. The first phase begins with revenue projections. Like the revenue projections for the operating budget, trends are studied, and performance assumptions are generated. From these assumptions, expenditures estimates are developed. However, since the CIP is a ten-year plan, revenue projections must be made farther into the future than those required by the operating budget.

Property Tax Financing

For 1992 the City Council authorized the equivalent of 10.1 mills (approximately \$14.8 million annually) from property taxes for debt service. For 1993 the City Council approved a 2.5 mill levy change from debt service funding to the General Fund, in order to initiate a public safety enhancement program.

Existing debt service payments are calculated so that estimates can be made for the additional amount of debt that can be assumed in any given year. Once the new debt has been calculated and all other revenue sources identified, dollars are allotted to each project category for the ten years of the capital planning period.

Requests for Projects/Administrative Review

The second phase for development of the CIP involves requests for projects. The request is sent to major corporations, community organizations, the Citizen Participation Organization, and advisory boards and commissions. These groups, as well as individuals, may submit projects for consideration by the City engineers and the Administrative Committee.

The next phase in the process involves the CIP Administrative Committee. Through a series of meetings, the committee develops the project plan for the term of the program. Projects are placed in the order of their ranking as often as possible.

Request for Projects/Administrative Review

Proposed projects are studied by the City CIP Administrative Committee, and are ranked according to criteria set forth by the Committee. Each project category is considered separately, generally based on the total dollars available for that category.

Hearings and Adoption

Following the Administrative Committee's plan development, the CIP is forwarded to the City Manager and then to the City Council. Additional hearings are held before the Metropolitan Area Planning Commission and the Citizen Participation Organization councils. Like the operating budget, the City Council hears public comments on the CIP prior to adoption. The Council can move, add, or delete projects.

Implementation

Once the CIP is adopted, the departments use it as a guide for implementing capital improvements. Each project is individually authorized by the City Council through adoption of an ordinance or resolution.

THE BUDGET PROCESS

o Calculating the Mill Levy

City Mill Levy Requirement

A mill is \$1 of tax for every \$1,000 of assessed value on real and personal property. The mill levy is recalculated every year and is based on the amount of tax dollars needed for financing the City budget.

First, the City (the "taxing district") arrives at a total amount for expenditures in the taxing funds. In Wichita these funds are the General Fund and the debt service fund, called the General Debt and Interest Fund.

After the expenditure total is known, all other revenue sources (non-tax) are subtracted. The remainder is the amount to be raised from ad valorem (property) taxes.

The tax levy rate is calculated by dividing the total revenue to be obtained from property taxes by the total assessed value for the taxing district. The table below shows the rates for the 1992 budget.

Tax Rates (Based on 1992 Values) for 1993 Budget Year

Assessed Valuation:		\$1,512,479,545
	<u>Taxes To Be Levied</u> <u>(Incl. Delinquencies)</u>	<u>Mill Levy</u>
General Fund	\$33,270,620	22.0
General Debt and Interest	<u>11,489,830</u>	<u>7.6</u>
TOTAL	\$44,760,450	29.6

A city residential property owner will pay taxes to support the City budget, based on the market value of the owner's property, times the classification rate (i.e., 12% for residential property), times the tax levy rate (mills divided by 1,000), as shown in the three examples.

Market Value	X	Classification Rate	X	City Tax Levy Rate	=	Est. Taxes Due
\$ 50,000	X	12%	X	.0296	=	\$177.60
\$ 75,000	X	12%	X	.0296	=	\$266.40
\$100,000	X	12%	X	.0296	=	\$355.20

"Assessed value" is the market value times the classification rate. For example, the assessed value of a \$50,000 home (for purposes of taxation) is \$50,000 times 12%, or \$6,000.

The city mill levy, plus the levies for other taxing districts (Sedgwick County, school district and State), comprise the Wichita residential property owner's total local tax obligation. For the 1993 budget year, most Wichita residential property owners will be assessed at the following rate:

<u>Taxing District</u>	<u>Tax Levy Rate</u>	<u>Percent of Total</u>
City of Wichita	29.6	28%
Sedgwick County	25.7	24%
USD #259	49.6	47%
State Assessed	<u>1.5</u>	<u>1%</u>
Total	106.4 mills	100%

Questions and Answers on the Budget Process

Q Since the adopted budget is only an estimate, what happens when actual spending or revenue received is higher or lower than the City planned?

A The City budget is balanced so that annual operating revenues are estimated to be equal to or greater than annual operating expenditures. For clarity in financial planning, the City's goal is to project revenues and expenditures as close to anticipated reality as possible and prudent. This contrasts with distortions caused when expenditures are deliberately over-projected and revenues are intentionally under-estimated.

If unplanned events occur or if estimates are wrong, the City maintains undesignated (unencumbered) fund balance reserves of about 5%, allowed by state law. These reserves are similar to an individual's savings account.

Q When can citizens have input in the budget process?

A As stated earlier in the discussion on the Budget Calendar, the budget process affords many opportunities for input. Among these are at the regular City Council meetings in July and the first half of August and at the regular neighborhood Citizen Participation Organization council meetings. In addition, citizens can make known their concerns to the City Council member representing their district anytime during the year.

Q Besides general property taxes, where do revenues come from to support the budget?

A Other revenues include motor vehicle property taxes, special assessments, franchise and gasoline taxes, local sales tax, state-shared revenues, sales and services, fines and penalties, rental income, internal administrative charges, and interest earnings.

Many revenues are in the form of "user fees" or full-cost recovery fees. In other words, the fees are paid by persons directly receiving the service, and are based on the expectation of recovering all or an agreed-upon portion of the service's full cost.

An important element in the City's financial plan is to diversify revenues, in order to maintain and reduce the level of property tax support needed for City operations. Existing revenues are continually reviewed to ensure they cover the full cost of services, and new revenue sources are established when appropriate.

Documents Supporting the Resource Allocation and Planning Process

Several documents are produced to be used as tools in the planning and policy making process and as references during implementation of programs:

- o City of Wichita Financial Plan - Presents economic and financial assumptions, preliminary revenue projections, current-level expenditure estimates and balances for five years into the future (available in February).
- o Proposed Annual Budget - Contains the City Manager's detailed proposal to meet the City's operating needs for a two-year period, along with revenue estimates and decision points for City Council action (published in early July).
- o Proposed Annual Budget in Brief - Presents a summary of the proposed annual operating budget (early July).
- o Adopted Annual Budget - The final budget document adopted by the City Council. Contains the operating expenditure limits (by fund) approved by the City Council and certified to the State of Kansas for the coming calendar year (published in early December).
- o Adopted Annual Budget in Brief - Presents a summary of the adopted annual operating budget (early December).
- o Performance Measures - Summarizes department service missions, performance objectives, and performance measures. Used on an operating basis and with budget development, as a means of assessing the efficiency and effectiveness of department work programs in providing services and products (published in early December).
- o Capital Improvement Program - Provides the ten-year program for planned capital projects and the means of financing them.

The City Manager's Letter

The City Manager's letter is presented in the first part of the proposed and adopted budget documents, and provides an overview of the operations of the City. It usually includes information about the City's performance in the past, and the expectations about performance for the coming year.

An important part of the letter is the highlighting of issues for City Council information and consideration. These may include effects of recession and reappraisal on budget financing, and expenditure issues such as enhanced public safety, cultural improvements, core area development, and employee compensation.

Revenue and Expenditure Summaries

Pages 1 through 3 of the proposed budget contain summaries for all the budgets contained in the remainder of the document.

Revenues are summed by type on page 1, and are based on each fund's multi-year projection, or multi-year fund overview. These fund projections appear throughout the book, according to the structure presented below.

On page 2, expenditures for all City operations are recorded by functional category: salaries and wages, employee benefits, contractual services, commodities, capital outlay, transfers, and debt service. On page 3, expenditures are recorded by fund, and are the sum of the expenditures recorded on the budget detail pages in the body of the book.

For both revenue and expenditure summaries (pages 1 and 3), the internal service funds are subtracted. Internal service funds provide services to other operations, and receive charges from those operations. Internal service fund budgets, as well as other interfund transactions, are subtracted from expenditure and revenue totals so these amounts are not counted twice.

Document Organization and Fund Structure

The main part of the budget document presents the department budgets by fund, moving from summaries to lower levels of detail, as follows:

- I. All funds summaries of revenues and expenditures (combining revenues and expenditures for all City operating budgets).
 - A. Multi-year fund overview (revenue and expenditure summaries for all funds).
 - 1. Combined detail summaries (line-item presentations combining expenditure budgets for departments having more than one division within that fund).
 - a. Department line-item detail pages and personal services pages.

The budget document also is organized according to fund types, in the following order:

- o General Fund
- o Special revenue funds
- o Debt service fund (General Debt and Interest)
- o Enterprise funds
- o Internal service funds

The General Fund

The General Fund is the fund that finances the regular day-to-day, tax-supported operations of the City. Examples of departments in the General Fund include Police, Fire, Finance, Parks, and so on. The primary sources of revenue are property taxes, including motor vehicle property taxes, and franchise fees.

The General Fund accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures, other than those of the self-supporting, proprietary funds, are financed through revenues received in the General Fund.

Special Revenue Funds

The special revenue funds include operations and activities that receive revenues from sources earmarked for specific uses:

- o Tourism and Convention Promotion Fund - Supports tourists attractions from monies collected through the transient guest tax.
- o Special Alcohol Program Fund - Receives State-shared alcohol liquor tax revenues, which are spent only for the purchase, establishment, maintenance or expansion of services or programs of alcoholism and drug abuse prevention and education.

- o Special Parks and Recreation Fund - Receives State-shared alcohol liquor tax revenues, which support purchase, establishment, maintenance, or expansion of park and recreational services, programs and facilities.
- o Landfill Fund - Receives income from a lease agreement with a private contractor, to support cover activities at the refuse disposal sites where dumping is completed, to monitor and test landfill property and the river, and to support future waste management needs (through transfers to a trust budget).
- o Central Inspection Fund - Monitors and regulates compliance with City codes on building construction, housing maintenance, zoning, and licensing, with revenues from permit and license fees.

General Debt and Interest Fund

The debt service fund, or General Debt and Interest Fund, accounts for the payment of interest and principal on long-term general obligation debt. Sources of funding for payment of debt include property taxes, the bond proceeds, interest earnings (within arbitrage regulation allowances) and other miscellaneous sources.

Enterprise Funds

Enterprise funds are for government functions that are self supporting. Each of these operations receives revenue from sales of their services or user fees, and are not tax-supported (except for the Metropolitan Transit Authority, which receives a City subsidy from the General Fund).

The City has five enterprise funds:

- o Wichita Airport - Provides facilities for air transportation services for the public, business, and industry.
- o Golf Course System - Provides four public golf facilities that are supported by user fees.
- o Metropolitan Transit Authority (MTA) - Provides economical bus service through regular route services and special charter services.
- o Sewer Utility - Operates and maintains the sewer component of the combined Water and Sewer Department, including wastewater treatment plants; maintains more than 1,200 miles of sewer laterals and mains.
- o Water Utility - Operates and maintains the water component of the combined Water and Sewer Department, providing an adequate, quality supply of water, and an adequate, sanitary means of wastewater disposal.

Internal Service Funds

Internal service funds provide services for City departments at cost. Budgets in other funds include amounts to pay for these services.

- o Data Center - Responsible for coordination of the City's total office automation and data processing.
- o Fleet and Buildings - Includes the equipment motor pool and central maintenance facility.
- o Self-Insurance - Accounts for self-insurance programs of health insurance, workers' compensation, group life insurance, employee liability, property damage, and general liability.
- o Telecommunications - Centralizes management of the large digital switch, long-distance usage, smaller telephone systems, and miscellaneous telecommunications.
- o Stationery Stores - Provides all departments with office supplies, duplicating services, mailroom service, photocopying, and microfilming services at the most economical cost.

Trust Funds

Trust funds included in the budget document are of two types:

- o Pension Trust - These funds are used to account for receipt, investment and distribution of retirement contributions made for the benefit of police officers, fire fighters, and other City employees. The two pension trust funds are Employees' Retirement Fund and the Police and Fire Retirement System Fund.
- o Expendable Trust - These funds account for resources received and held by the City as trustee and are expended according to the conditions of the trusts. Funds included in the budget document are Unemployment Claims, WSU Management Trainee, Employee Training, Intervention Program, Public Defender Program, Cemeteries, Waste Management, and Tax Increment Financing District #1.

Management Initiatives

The progress of three management initiatives is reported in this section. These initiatives are the City's comprehensive performance measurement program, the Savings Incentive Program, and the Employee Suggestion Awards Program.

Appendix

The Appendix section of the adopted budget contains materials to facilitate understanding of the budget and the City's total operating program.

Ad Valorem Tax. A tax levied on the assessed value of both real and personal property in proportion to the value of the property (also known as "property tax.")

Allocation. Assigning one or more items of cost or revenue to one or more segments of an organization according to benefits received, responsibilities, or other logical measures of use.

Appraised value. Market dollar value given to real estate, utilities, and personal property; established through notification, hearing and appeals, and certification process.

Appropriation. Expenditure authority created by City Council.

Assessed Value. Appraised value of property adjusted downward by a classification factor, to determine the basis for distributing the tax burden to property owners. (See calculation elsewhere.)

Attrition. Estimated savings from temporarily unfilled positions.

Audit. A review of the City's accounts by an independent accounting firm to substantiate year end fund balances, reserves, and cash on hand.

Bond. A written promise to pay a specified sum of money, called the face value or principal amount, at a specified date or dates in the future, called the maturity date(s), together with periodic interest at a specified rate. A bond differs from a note in two ways: A bond is issued for a longer period of time than a note and requires greater legal formality. The City sells bonds as a means of borrowing revenue for costly projects. The City repays this debt to its lender over an extended period of time similar to the manner in which a homeowner repays a mortgage.

Budget. Financial plan consisting of estimated revenues and expenditures (purposes) for a specified time. The operating budget provides for direct services and support functions of the City (e.g., Police, Fire, Public Works, etc.) The capital budget (Capital Improvement Program) provides for improvements to the City's infrastructure and facilities, and utilizes long-term financing instruments.

Budget Amendment. Legal means by which an adopted expenditure authorization or limit is increased; includes publication, hearing and recertification.

Budget Message. A general discussion of the budget as presented in writing by the budget-making authority to the legislative body. The message outlines the budget plan and its main points of interest. The City's budget message is presented as the City Manager's proposed budget.

CIP. The City's Capital Improvement Program. A ten-year expenditure-plan financing new and improved infrastructure needs and facilities.

Capital Outlay. An item of non-expendable nature with a value greater than \$250.00 and with an anticipated life of more than one year under normal use.

Carryover. Appropriated funds which remain unspent at the end of a fiscal year, which are allowed to be retained in the budget to which they were appropriated so that they may be expended in the next fiscal year for the purpose designated.

Commodity. An expendable item used by operating activities. Examples include office supplies, repair and replacement parts for equipment, toilet supplies and gasoline and oil.

Contingency. A budgetary reserve amount set aside for emergencies or unforeseen expenditures not otherwise known at the time the budget is adopted.

Contractual Services. A cost related to a contractual agreement. Examples include insurance, utility costs, printing services and temporary employees (hired through a private firm).

Debt service. Principal and interest requirements on outstanding debt.

Deficit. An excess of current year expenditures over current year resources.

Department. The basic unit of service responsibility, encompassing a broad mandate of related activities.

Division. A sub-unit of a department which encompasses a substantial portion of the duties assigned to a department. May consist of several activities.

Encumbrance. A legal obligation to pay funds, the expenditure of which has not yet occurred.

Enterprise. A governmental facility or service which is self-supporting through fee and charge revenue.

Expenditure. Actual outlay of funds. Expenditures are budgeted by function: personal services (salaries and benefits), contractual services, commodities, capital outlay, and "other" (including transfers out, debt service, contingencies and inventory clearing accounts).

Fiscal year. The twelve-month budget period. The fiscal year for the City of Wichita is the January-through-December calendar year.

Full-time equivalent position (FTE). A position converted to the decimal equivalent based on 2,080 hours per year. For example, a summer lifeguard working for four months, or 690 hours, would be equivalent to .3 of a full time position.

Fund. Accounting entity with accounts for recording revenues and expenditures to carry on specific purposes. The City's funds are described elsewhere in this Guide.

Fund balance. The fund balance is the total dollars remaining after current expenditures for operations and capital improvements are subtracted from the sum of the beginning fund balance and current resources.

General fund. The City's principal operating account, which is supported primarily by taxes and fees having no restriction on their use.

Infrastructure. The foundation of the City, including its buildings, streets, water, and sewer systems).

Line item. The smallest expenditure detail presented in department budgets. The line item also is referred to as an "object," with numerical "object codes" used to identify expenditures in the accounting system. Within the accounting system, "objects" are further divided into "subobjects" (see description provided elsewhere in this document).

Longevity. Employee compensation payments made in recognition of a certain minimum number of years employed full time with the same entity. In the City, longevity payments are two dollars per month times total accumulative service with the City (payable after six years in employment).

Mill. One dollar tax per \$1,000 of assessed valuation.

Operating Budget. A budget which applies to all outlays other than capital improvements.

Performance measures. A means (usually quantitative) of assessing the efficiency and effectiveness of department work programs.

Personal services. All costs related to compensating employees, including employee benefit costs such as the city's contribution for retirement, social security and health and life insurance.

Revenue. The yield of taxes and other sources of income that the city collects and receives into its treasury for public use.

Special assessment. A compulsory levy made against certain properties to defray part or all of the costs of a specific improvement deemed primarily to benefit the assessed properties.

Tax lid. Law limiting amount of property tax that can be levied for a specific governmental function. Also known as aggregate tax levy limitation.

Taxes. Compulsory assessments levied by a government for the purpose of financing services performed for the common benefit of the citizens. This term does not include specific charges made against particular persons or property for current or permanent benefit, such as special assessments.

NOTES